

Message Text

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ACTION H-03

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INFO AMCONSUL ALEXANDRIA

C O N F I D E N T I A L SECTION 1 OF 2 CAIRO 11421

E.O. 11652: GDS
TAGS: OREP (JAVITS, JACOB)
SUBJ: CODEL JAVITS - MEETING OF SENATOR JAVITS WITH
MINISTER OF ECONOMY AND ECONOMIC COOPERATION HAMID EL SAYEH

1. THE MINISTER OPENED BY WELCOMING THE SENATOR AND
EXPRESSING HIS APPRECIATION FOR ALL THAT THE UNITED
STATES WAS DOING FOR EGYPT'S EVHNMIC DEVELOPMENT.

2. THE SENATOR RESPONDED THAT HE WELCOMED AN OPPORTUN-
ITY TO DISCUSS EGYPT'S DEVELOPMENT NEEDS. HE INDICATED
THIS WAS A DIFFICULT TIME FOR THE CONGRESS TO CON-
SIDER SUPPORT OF EGYPT'S NEEDS, AT A PERIOD WHEN AMERI-
CA ITSELF FACES MANY ECONOMIC PROBLEMS. FOR IN -
STANCE, GIVEN THE PROBLEMS WHICH FACE MANY AMERICAN
CITIES, IT IS DIFFICULT FOR CONGRESS TO SUPPTIT PROGRAMS
WHICH SIMPLY AIM AT IMPROVEMENT OF EGYPT'S CITIES, BUT
CONGRESS CAN ACCEPT PROGRAM WHICH DEMONSTRATE CLEARLY
THAT THEY ARE IN THE FRAMEWORK EITHER OF IMPROVING
PRODUCTIVE CAPACITY OR OF REGIONAL SECURITY.

3. THE REAL QUESTION, SUGGESTED THE SENATOR, IS WHAT
IS AHEAD. IS EGYPT A BOTTOMLESS PIT, OR ARE THERE REAL
OBJECTIVES WHICH CAN BE SOUGHT AND ACHIEVED? THIS
IS THE TIME FOR EGYPT TO THINK ITS ECONOMIC FUTURE
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THROUGH AND DEVELOP A PLAN FOR ECONOMIC IMPROVEMENT
OVER THE COMING, SAY, FIVE YEARS. WITH THAT, YOU CAN
HELP TO TELL THE CONGRESS WHAT EGYPT EXPECTS TO ACHIEVE
AND WHEN AND THIS WILL MAKE IT EASIRE TO OBTAIN CON-
GRESSIONAL SUPPORT.

4. THE MINISTER RESPONDED THAT ALL EGYPT - THE PRESIDENT,

THE CABINET, AND ALL THE PEOPLE -- RECOGNIZE WHAT THE UNITED STATES IS DOING TO HELP EGYPT. DEVELOPMENT IS A FUNCTION OF PEACE AND VICE VERSA. WE CAN'T HOPE FOR PEACE UNLESS THE EGYPTIAN PEOPLE FEEL THAT THEIR ECONOMIC SITUATION IS IMPROVING, AND THE UNITED STATES UNDERSTANDS AND IS SUPPORTING THAT NEED.

5. REGARDING ECONOMIC PLANNING, THE MINISTER POINTED OUT THAT AT THE BEGINNING OF THIS YEAR EGYPT FACED A \$5 BILLION FOREIGN EXCHANGE DEFICIT. WITH HELP FROM FRIENDS, THIS DEFICIT CAN NOW BE MET. THE ARABS THROUGH GODE HAVE PROVIDED \$2 BILLION TO EASE SHORT TERM BORROWING. IN ADDITION, THEY HAVE AGREED TO LEAVE 2 BILLION IN SHORT TERM DEPOSITS IN EGYPTIAN BANKS. WITH THE UNITED STATES ONE BILLION THIS YEAR PLUS SMALLER AMOUNTS FROM OTHER DONORS, THE IMMEDIATE PROBLEM OF 1977 CAN BE FACED.

6. UNDER THESE CIRCUMSTANCES, IT WAS POSSIBLE FOR THE GOE TO TURN TO IMF FOR A MONETARY REFORM PROGRAM. ACHIEVING AGREEMENT WITH IMF HAD TWO EFFECTS--- EX-534,-) ?6 43- 748,& 95#34 \$9,94 ; INTERNAL BY CONVINCING ELEMENTS OF THE LEADERSHIP OF THE VALUES TO BE GAINED BY SUCH INANCIAL DISCIPLINE.

7. BUT THESE ACTIONS ARE STILL SHORT TERM AND LIMITED.
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EGYPT NEEDS DEVELOPMENT. THE MINISTER NOTED THAT A FIVE YEAR PLAN FOR 1976-1980 HAD BEEN DEVELOPED-- IN FRAMEWORK FORM EARLIER, AND NOW VIRTUALLY IN FINAL FORM. IN 1976 EGYPT WAS ABLE TO ACHIEVE 6 PERCENT GROWTH AND IT IS PROJECTING AVERAGE GROWTH RATES OF RA10 PERCENT OVER THE PLAN PERIOD. THIS OBVIOUSLY IS HEAVILY DEPENDENT ON FOREIGN AID. BUT ONE COULD SEE THAT WITH LARGER FLOWS OF AID IN 1976, EGYPT WAS ABLE TO INCREASE ITS GROWTH RATE FROM 2 TO 3 PERCENT THAT EXISTED BEFORE TO 6 PERCENT.

8. THE MINISTER WENT ON TO SAY THE PLAN CALLS FOR \$20 BILLION IN INVESTMENT, OF WHICH \$8 BILLION IS IN FOREIGN EXCHANGE. THE PLAN WAS WORKED OUT IN COOPERATION WITH IBRD. IBRD WAS SUFFICIENTLY SATISFIED THAT THEY AGREED TO SET UP THE CONSULTATIVE GROUP. THAT GROUP OF MANY DONORS HAS NOW ALSO REVIEWED THE PLAN AND THINKS IT IS PROMISING.

9. THE MINISTER WENT ON TO SAY THERE WERE SEVERAL REASONS WHY ONE COULD BE OPTIMISTIC ABOUT THE FUTURE. DONORS NOW BETTER UNDERSTAND EGYPT'S NEEDS

SUEZ CANAL AND SUMED INCOME CAN BE EXPECTED TO INCREASE SHARPLY IN COMING YEARS. OIL INCOME WILL ALSO INCREASE VERY MUCH IN THE NEXT FIVE YEARS. WORKERS REMITTANCES, WHICH REACHED \$500 MILLION IN 1976, ARE EXPECTED TO CONTINUE TO INCREASE. WITH THESE RESOURCES -- AND WITH PEACE-- EGYPT EXPECTS TO BE ABLE TO OVERCOME HER TROUBLES AND LEAD TO MAJOR CHANGES THROUGHOUT THE REGION.

10. IN RESPONSE TO SEANTOR'S QUESTION ABOUT AGRO-INDUSTRIAL PROSPECTS, EL SAYEH SAID THE GOE HAS THREE OBJECTIVES: IMPROVING PRODUCTIVITY IN THE EXISTING NILE VALLEY LANDS, WHERE GROUPS LIKE AID FORD FOUNDATION ARE ALREADY BEING VERY HELPFUL; THROUGH
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BRINGING RECLAIMED LANDS TO THEIR ULTIMATE FERTILITY; AND OVER THE LONGER RUN IN BRINGING INTO CULTIVATION NEW LANDS IN THE SOUTH AND NEW VALLEYS. WITHIN THIS FRAMEWORK THE GOVERNMENT WELCOMES JOINT VENTURES IN AGRO-INDUSTRY. HE NOTED AG INTERNATIONAL PLANS AND THE INTEREST OF OTHER INVESTORS.

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INFO AMCONSUL ALEXANDRIA

C O N F I D E N T I A L SECTION 2 OF 2 CAIRO 11421

11. THE SENATOR SUGGESTED THAT THE AGRO-BUSINESS COUNCIL SHOULD BE INTERESTED IN EGYPT AND THAT HEINZ SHOULD VISIT THE COUNTRY. THE MINISTER SAID THAT ABC IS ALREADY INVOLVED IN DOING A RANGE OF STUDIES

AND THAT HEINZ HAS ALREADY MET WITH THE PRESIDENT AND WITH HIMSELF. THE SENATOR ALSO SUGGESTED THAT JOHN DEERE MIGHT BE ABLE TO PLAY A USEFUL ROLE.

12. AMBASSADOR EILTS INQUIRED ABOUT THE STATUS OF THE FORD INVESTMENT PROPOSAL. THE MINISTER REPLIED THERE WERE TWO PROBLEMS: AN INTERNAL ONE, IN THE AMOUNT OF PROTECTION THAT FORD WANTS; AND AN EXTERNAL ONE REGARDING FORD'S STATUS ON THE BOYCOTT. THE MINISTER SAID HE HAD JUST RECEIVED ASSURANCES THAT THE PRIME MINISTER WILL MAKE A REAL EFFORT ON THE POLITICAL SIDE REGARDING THE BOYCOTT. AND HE FELT THAT THE INTERNAL PROBLEMS WOULD EVENTUALLY GET WORKED OUT. THE MINISTER WENT ON TO SAY THAT THE BOYCOTT IS NOT REALLY A PROBLEM IN EGYPT. THE DOOR IS NOW OPEN. THE PROBLEM IS THAT COMPANIES THAT INVEST IN EGYPT FOR EXPORT INDUSTRIES MUST BE SURE THEY CAN SELL THEIR PRODUCTS IN OTHER ARAB COUNTRIES.

13. AMBASSADOR EILTS NOTED THAT SINCE THE ESTABLISHMENT OF THE ECONOMIC GROUP UNDER DEP PRIMIN KAISSOUNI, A
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REAL EFFORT HAS BEEN MADE TO MOVE ON THE PRIVATE INVESTMENT SIDE. THE MINISTER AGREED THAT WAS THE CASE. HE NOTED THAT AGREEMENT IS BEING REACHED THAT THE GOVERNMENT WOULD SOON PUT SHARES ON THE MARKET ON THE 35 MOST EFFICIENT PUBLIC SECTOR COMPANIES, THUS BORADENING PARTICIPATION IN THESE COMPANIES AND PUSHING THEIR MANAGEMENT TO MORE EFFICIENT OPERATIONS.

14. THE SENATOR NOTED ONE CAUTION IN DEALING WITH THE PRIVATE SECTOR. HE SUGGESTED THAT EGYPT COULD BARGAIN AS HARD AS IT WANTS WITH AN INVESTOR, BUT ONCE AN AGREEMENT IS REACHED EGYPT MUST LIVE WITH IT. NOTHING IS WORSE FOR AN INVESTOR THAN A FEELING THAT A GOVERNMENT WILL NOT KEEP ITS WORD.

15. THE SENATOR THEN NOTED THE ROLE OF ADELA IN LATIN AMERICA, SOFIDA IN AFRICA AND PICA IN HE PACIFIC. THE SENATOR SAID HE FELT A NEAR EAST ORGANIZATION LIKE ADELA COULD PLAY AN IMPORTANT ROLE. HE NOTED THAT EVEN SUCH PERSONS AS PEREZ GUERRERA HAVE ACCEPTED THAT ADELA IS A TRULY CLEAN WAY OF DEALING WITH PRIVATE INVESTMENT. THE SENATOR SAID HE WAS SENDING VARIOUS MATERIALS ON ADELA TO THE SAUDI FINANCE MINISTER. HE SAID AN ADELA LIKE ORGANIZATION INVOLVING IRAN, SAUDI ARABIA, EGYPT, JORDAN AND THE SUDAN COULD BE VERY PROMISING. HE INDICATED HE WOULD BE VERY HAPPY, IF THE SAUDIS AND EGYPTIANS ARE IN-

TERESTED IN PURSUING THIS, TO SEND OUT SOME HIGH LEVEL
INDIVIDUAL WHO COULD HELP GET THE IDEA ORGANIZED.

16. THE MINISTER REPLIED THAT THE EGYPTIANS HAD BEEN
THINKING OF SOMETHING LIKE THIS AND WOULD BE
DEFINITELY INTERESTED IN ANY STEPS THAT MIGHT BE TAKEN.
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HE SUGGESTED THAT PERHAPS DEPUTY PRIMIN KAISOONI
SHOULD TALK FURTHER WITH THE SENATOR ABOUT THIS DURING
KAISOONI'S PRESENT VISIT TO THE UNITED STATES.

17. THE MEETING ENDED WITH MUTUAL EXPRESSIONS OF HOPE
FOR PEACE AND DEVELOPMENT IN THE REGION.

18. THIS MESSAGE CLEARED WITH CODEL.
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